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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 9, 1999

APPLICATION OF

GTE SOUTH INCORPORATED
(Southwest, Virginia)

CASE NO. PUC940010

Annual Informational Filing

ORDER PRESCRIBING NOTICE

On June 30, 1994, GTE South Incorporated (Southwest, Virginia) (hereinafter "Southwest" or "the Company") filed its 1993 Annual Informational Filing ("AIF"), pursuant to the Commission's Orders in Case No. PUC880035. The Staff filed its Report on August 16, 1995, and a Supplemental Staff Report on November 29, 1995.

On December 13, 1995, Southwest filed its Response To Staff's Supplemental Report Regarding The Treatment Of GTE Laboratories Incorporated's Expenses. The Commission ordered consideration of this AIF suspended on June 5, 1996, pending resolution of two issues involving jurisdictional separations factors for local switching equipment and the inclusion of affiliate expenses for GTE Laboratories Incorporated in Case No. PUC950019. On August 7, 1997, the Commission issued its order on these two issues in Case No. PUC950019, which was affirmed by the Commission's Final Order on April 27, 1999. Consistent with

the Commission's findings on these two issues, the Staff filed its Second Supplemental Staff Report on December 9, 1998.

On July 20, 1999, the Company filed its Motion To Declare Rates Not Subject to Refund and to Close Proceeding. Pursuant to said Motion, the Company and the Staff of the Commission agreed that this proceeding should be closed without the requirement of refunds and further agreed that in doing so, the Company should not be deemed to have conceded or waived its rights to continue to object to decisions made by the Commission in the Company's final rate order, issued in Case No. PUC950019, and which affect the results of the Staff Report filed in this proceeding.¹

The Experimental Plan for Alternative Regulation of Virginia Telephone Companies ("Experimental Plan"), adopted in the Final Order in Case No. PUC880035, specifies a return on equity range of 12.00% to 14.00% (Paragraph 18). Staff's Second Supplemental Report reflects a calculation for intrastate tariffed services' return on equity of 7.57%. This return on equity indicates that the Company's 1993 earnings were not in excess of those specified by the Experimental Plan.

Pursuant to Paragraph 20 of the Experimental Plan and the Company's Motion filed July 20, 1999, the Commission is of the

¹ The Commission issued its Final Order in Case No. PUC950019 on April 27, 1999, and the Company filed its Notice of Appeal with the Commission on May 17, 1999.

opinion that notice and opportunity for a hearing should now be afforded to interested parties. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) Interested parties may file comments, requests for a hearing, or both, on or before September 15, 1999.

(2) If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held and the Commission may make its decision based upon the papers filed in this proceeding.

(3) The Company shall publish notice of its 1993 AIF filing and the Staff Reports thereon, on one occasion in newspapers having general circulation throughout its original Southwest service territory. Such notice should be a display advertisement (not classified advertising) and should be completed on or before August 27, 1999. The form of the notice should be as follows:

NOTICE OF STATE CORPORATION COMMISSION
REVIEW OF EARNINGS OF GTE SOUTH INCORPORATED
(SOUTHWEST, VIRGINIA) FOR CALENDAR YEAR 1993
AND DETERMINATION THAT RATES ARE PERMANENT
AND THUS NO LONGER SUBJECT TO REFUND
FOR THE YEAR 1993
CASE NO. PUC940010

GTE South Incorporated (Southwest, Virginia) (hereinafter "Southwest") has filed its 1993 Annual Informational Filing ("AIF") with the State Corporation Commission ("SCC"). Pursuant to Paragraph 20 of the SCC's Experimental Plan for Alternative Regulation of Virginia Telephone Companies ("Plan"), the SCC must determine

whether the rates collected during the year 1993 should be made permanent. Such determination would absolve Southwest from any further obligation to make refunds for the year 1993.

Paragraph 20 of the Plan made the rates of Southwest interim for the year 1993 and subject to refund if Southwest's return on equity for that year should exceed 14%. The SCC Staff filed a Report on the AIF ("Staff Report") indicating that Southwest's return on equity for 1993 was 7.57%.

Any person desiring to comment or request a hearing on Southwest's AIF or Staff's Report, may do so by filing such comments or requests for hearing with the Clerk of the Commission, Joel H. Peck, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, on or before September 15, 1999. Any such filing should refer to Case No. PUC940010.

GTE SOUTH INCORPORATED

(4) The Company shall file proof of publication of the notice directed above on or before September 15, 1999.

(5) Southwest shall serve a copy of this Order on the chair of the board of supervisors of any county and upon the mayor or manager of any county, city, or town (or upon equivalent officials in counties, towns, and cities having alternate forms of government) lying within Southwest's service area. Service shall be by first-class mail or delivery to the customary place of business or residence of the person served.

(6) This Case is now continued generally